



# **FMSIC Life Cycle Cost Working Group**

July 27, 2004

Lee Elster

# Charter

---



- FMSIC's Life Cycle Cost Working Group (LCCWG) was formed in March 2004 to develop funding and/or cost allocation options for dealing with the life-cycle costs of DOE capital facilities.
- The focus of the study was on inactive DOE facilities. Specifically, improving mechanisms for funding decontamination and decommission activities needed on obsolete facilities.
- Working Group Members:
  - Kathy Baker, LLNL
  - Peter Smith, PNNL
  - Taylor Van Buren, LANL
  - Lyle Lininger, SNL
  - Mary Dee Grimm, INEEL
  - Matt Zimmerman, SRS

# Working Group Approach

---

- Approach
  - Identified issues & descoped to focus on decontamination & decommission of obsolete facilities
  - Discussed current methods and identified best practices
  - Obtained survey input on facility profiles from all contractors
    - Obtained facility data on size and quantity (square feet and number of active, inactive and new facilities planned)
    - Amount of D&D accomplished and cost per square foot for D&D
    - Funding source for D&D and whether the work is subcontracted or done in-house
  - An issue paper was prepared with the goal to:
    - Meet the spirit and intent of the DOE regulations;
    - Minimize inappropriate negative impacts on programs and projects;
    - Provide for subsequent consistency in both budgeting and accounting of the life cycle costs throughout the DOE complex.



# Background

---

- DOE issued the Real Property Asset Management (RPAM) Order 430.1B on 9/24/03 and requires contractor implementation by 9/30/04
- RPAM replaces the prior DOE Order titled “Life Cycle Asset Management” (DOE Order 430.1A)
- Objective of RPAM is to establish a corporate, holistic, and performance-based approach to real property life-cycle asset management that links property asset planning, programming, budgeting, and evaluation to program mission and performance outcomes.
- The National Research Council (NRC), Board of Infrastructure and Construction Environment (BICE) was tasked by Congress to review DOE’s Facility Management and Infrastructure Renewal Program

# D&D Concerns

---



- Life cycle approach has advantages by planning D&D up front in the design phase of new facilities and budgeting the costs to decommission a facility at the end of its useful life. However, significant roadblocks exist:
  - Including the full life cycle costs in new projects make it prohibitively expensive and jeopardize funding.
  - It is unlikely that any type of D&D funding will be set aside to pay for D&D 20+ years from now.
  - D&D technology is changing rapidly and the processes for D&D that we use today will most definitely not be used 20+ years from now.

# Contractor Concerns

---



- Methods for obtaining adequate funding for D&D of obsolete facilities and future D&D of active facilities – there is a lack of consistent funding
- Contaminated facilities represent a significant challenge to many DOE sites
- It is difficult to estimate the total life cycle costs for facilities located at multi-disciplinary sites where the facility may be occupied by a number of different sponsors and/or contaminants over its useful life
- Multi-sponsor sites are faced with legacy facilities without a current sponsor
- Capital threshold (\$5M) is too low given the size of some recapitalization projects
- Regulatory agreements on the required “end state” for D&D in some States (New York and Washington were cited)
- Office of Environmental Management is no longer accepting transfers of inactive facilities for demolition – accountability is falling to each site landlord without proper funding

# How Contractors Fund D&D Today

---



- Some contractor have no funding source for D&D
- Others are utilizing various methods for D&D costs:
  - Some sites have a limited amount of direct funding from DOE Program Office (i.e., Environmental Management, Office of Science or Defense Programs)
  - Some sites have overhead recovery
  - Some sites include the cost to D&D an equal number of existing square feet as planned for in requests for new facilities
  - NNSA Contractors also have Facility Infrastructure Revitalization Program (FIRP) funds

# Recommendations

---

- 1. Create a D&D program modeled after the NNSA FIRP for all DOE sites based on clearly defined goals and performance metrics.**
- 2. Incentivize contractors who are meeting performance objectives.**
  - Tie a portion of contractor award fee to facility-related goals
  - Increase the general plant project threshold to \$10M
  - Include contract incentives such as the value engineering clause (FAR 48.103) which allows contractors to submit proposals for cost saving measures and the contractor receives a portion of the actual cost savings for reinvesting in facilities
- 3. Identify funding options that contractors may use as part of their overhead recovery**
  - Statement of Federal Financial Accounting Standard (SFFAS) Number 5 “Accounting for Liabilities of the Federal Government” - Allows recordation of a liability for waste disposal at the time the entity recognizes it has an obligation to safely dispose of generated wastes.
  - Determine if DOE accounting policy could allow contractors to book a D&D reserve in a DOE balance sheet account for future D&D activities.
- 4. Include D&D in Work for Others (WFO) projects that involve the construction of a capital asset.**